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JUN 15 2011

TCEQ/Revenue Section

Office of the Chief Clerk, MC 105
Building F
TCEQ
12100 Park 35 Circle
Austin, TX 78753

June 14, 2011

NO MONEY

Re: Appeal of Notice of Negative Use Determination
Williams Field Services-Gulf Coast Company
Markham Gas-Processing Facility
4367 County Road 403
Markham (Matagorda County)
Application Number: 14534, Tier III Application

Dear Sir or Madam:

In accordance with 30 Texas Administrative Code (TAC) 17.25, this letter stands as an Appeal to your Notice of Negative Use Determination ("NOD") dated May 16, 2011 for Williams Field Services-Gulf Coast Company's application for Use Determination #14534 (the "Application"). A copy of the NOD is attached.

Appeal Description

The subject Application, dated April 26, 2010, was filed pursuant to the Texas Commission on Environmental Quality's (TCEQ's) Tax Relief for Pollution Control Property Program for the Markham Gas- Processing Facility's (the "Facility's") eligible Pollution Control Property ("PCP").

The Application's PCP consists of:

- 1) Natural Gas Inlet Filter Separator ("IFS"), that strips out impurities (wastes) in natural gas;
- 2) Amine Treatment assets, where hydrogen sulfide ("H₂S") and Carbon Dioxide are stripped and conveyed as waste from the natural gas; and
- 3) Glycol Dehydration assets, where moisture entrained in the natural gas is stripped and processed as an effluent (waste) from the natural gas.

A Tier III Application inclusive of the Cost Analysis Procedure ("CAP") in effect at the time was filed.

CHIEF CLERKS OFFICE

2011 JUN 20 PM 2:52

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Basis for the Appeal

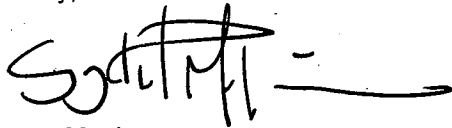
Although the PCP is integrated within a Natural Gas Liquids ("NGL") Recovery Facility, it was described in the Application as being used in the separation and removal of volatile organic compounds ("VOCs") such as Hydrogen Sulfide ("H₂S") and other wastes, such as Carbon Dioxide ("CO₂"). These wastes are removed to reduce the threat of contamination to air or water in the event of an inadvertent release. Therefore, the subject PCP is not performing a production function; but, rather, it segregates and captures the waste prior to disposal in the Facility's utility flare. Lastly, for consideration in the CAP calculations, the Facility does not recover CO₂ or elemental sulfur as marketable by-products from the subject PCP.

As noted in the subject Application page 4 of 7, the total historical costs of both the IFS and the Dehydration assets were considered in the CAP analysis as PCP costs eligible for tax exemption. Only that portion of the historical costs of the Amine Treatment assets related to pollution control/waste management activities was considered in the CAP analysis.

Finally, the NOD did not state that the CAP model inaccurately calculated the tax exempt percentage of the subject property. Rather, the NOD stated only that the equipment described is *"used to convert raw natural gas into marketable gas products. Production equipment is not eligible for Positive Use Determination."* Under then-current rule, the CAP is the demonstrated method for determining the tax exempt portion of the subject property, as PCP. In the Application, as calculated by the CAP, the eligible tax exempt percentage was determined to be 100%.

On behalf of the taxpayer, I respectfully request that the negative Use Determination be replaced with a positive Use Determination for the eligible historical costs of the PCP described within the Application. If you have questions regarding this Appeal, please contact me by telephone (512) 671-5580; by e-mail at gregory.maxim@duffandphelps.com; or write to me at the address listed below.

Sincerely,



Gregory Maxim
Director
Specialty Tax

Attachment

For Reference: Mr. Vince Maloney, Chief Appraiser
Matagorda County Appraisal District
2225 Avenue G, Bay City, TX 77414-5018

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 16, 2011

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2011 JUN 20 PM 2:52

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ON ENVIRONMENTAL
QUALITY

Mr. Greg Maxim
Director
Duff & Phelps, LLC
919 Congress Suite 1450
Austin, Texas 78701

Re: Notice of Negative Use Determination
Williams Field Services-Gulf Coast Company
Markham Gas Treating Facility
4367 County Road 403
Markham (Matagorda County)
Application Number: 14534; Tracking Number: Tier III Application

Dear Mr. Maxim:

This letter responds to Williams Field Services-Gulf Coast Company's application for Use Determination, received April 26, 2010, pursuant to the Texas Commission on Environmental Quality's (TCEQ) Tax Relief for Pollution Control Property Program for the Markham Gas Treating Facility.

The TCEQ has completed the review for application #14534 and has issued a Negative Use Determination for the property in accordance with Title 30 Texas Administrative Code (TAC) §17.4 and §17.6. This equipment is used to convert raw natural gas into marketable gas products. Production equipment is not eligible for a Positive Use Determination.

Please be advised that a Negative Use Determination may be appealed. The appeal must be filed with the TCEQ Chief Clerk within 20 days after the receipt of this letter in accordance with 30 TAC §17.25.

If you have questions regarding this letter or need further assistance, please contact Ronald Hatlett of the Tax Relief for Pollution Control Property Program by telephone at (512) 239-6348, by e-mail at Ronald.Hatlett@tceq.texas.gov, or write to the TCEQ, Tax Relief for Pollution Control Property Program, MC-110, P.O. Box 13087, Austin, Texas 78711-3087.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark R. Vickery", written over a large, stylized circular flourish.

Mark R. Vickery, P. G.
Executive Director

CG/RH

Enclosure

cc: Chief Appraiser, Milam County Appraisal District, P. O. Box 769, Cameron, Texas 76520